

**PUBLIC SERVICE COMMISSION OF SOUTH CAROLINA
COMMISSION DIRECTIVE**

ADMINISTRATIVE MATTER	<input type="checkbox"/>	DATE	February 15, 2018
MOTOR CARRIER MATTER	<input type="checkbox"/>	DOCKET NO.	2017-207-E/2017-305-E 2017-370-E
UTILITIES MATTER	<input checked="" type="checkbox"/>	ORDER NO.	2018-102

THIS DIRECTIVE SHALL SERVE AS THE COMMISSION'S ORDER ON THIS ISSUE.

SUBJECT:

[DOCKET NO. 2017-207-E](#) - Friends of the Earth and Sierra Club, Complainants/Petitioners v. South Carolina Electric & Gas Company, Defendant/Respondent;

[DOCKET NO. 2017-305-E](#) - Request of the Office of Regulatory Staff for Rate Relief to South Carolina Electric & Gas Company's Rates Pursuant to S.C. Code Ann. § 58-27-920;

-and-

[DOCKET NO. 2017-370-E](#) - Joint Application and Petition of South Carolina Electric & Gas Company and Dominion Energy, Incorporated for Review and Approval of a Proposed Business Combination between SCANA Corporation and Dominion Energy, Incorporated, as May Be Required, and for a Prudency Determination Regarding the Abandonment of the V.C. Summer Units 2 & 3 Project and Associated Customer Benefits and Cost Recovery Plans - Staff Presents for Commission Consideration the Office of Regulatory Staff's Request for Guidance and/or Clarification, Dated February 7, 2018.

COMMISSION ACTION:

I have a lengthy motion to make in this matter, but I would like to preface it by saying that I am somewhat reluctant to get as specific as my motion will, for fear of crossing over from the role of trier of fact to that of an investigating party. However, we requested ORS to conduct an investigation of issues in this case, as we are permitted under Code Section 58-3-200. It would, therefore, not be appropriate to deny ORS's request for clarification of the scope of our request. I also believe this will expedite our review of the issues in this matter, which I'm sure all parties can agree is a good thing. ORS should not take this clarification as limiting the scope of what it may investigate. It is what I believe is the minimum scope needed to enable us to reach a just and reasonable result in this case. If ORS believes it needs to go further, it should do so. The scope I will describe attempts to cover the waterfront of reasonably possible scenarios for a decision. Right now, we simply do not have sufficient information to make an informed decision consistent with the law. Hopefully, this information will begin to get us there.

With respect to the relief that ORS has requested, SCE&G has made assertions regarding potential cascading adverse financial consequences, ultimately resulting in bankruptcy. As a result of these assertions, the Commission issued Order No. 2017-769, requesting that ORS complete a "thorough inspection, audit, and examination" of the potential financial ramifications that SCE&G asserts could happen. This request was made on December 20, 2017. The ORS filed its report titled, "ORS Examination of South Carolina Electric & Gas Revenue" on January 19, 2018 in response to our request. However, the report did not address several necessary issues. This led to the issuance of Commission Order No. 2018-81 on January 31, 2018, responding to the ORS report. Essentially, Order No. 2018-81 reiterates and provides further guidance regarding the Commission's request for a thorough inspection, audit, and examination of the Company's records to determine the likelihood and extent of financial repercussions. By letter dated February 7, ORS proposed a scope of work and made

a request for further guidance and clarification.

Before I get into the details – I must say – it is not possible to overstate the importance of the Commission's request, and the responses to it – not just to this Commission, but to all potentially affected ratepayers and citizens and the state at large. The decisions that are to be made in this case will affect significantly the interests of many stakeholders. In the final analysis, this Commission must act dutifully, and it must act wisely. To do so, the Commission must be able to rely on the most complete and reliable evidence available.

An evaluation of the ORS request for guidance leads me to propose an expanded set of analyses beyond the two ORS proposed in its February 7 letter; namely, an audit of the likelihood of ramifications to the financial condition of SCE&G given several additional possible scenarios.

The ORS January 19th Report stated that an audit, such as the one we are seeking, would take "in excess of 90 days." That is a reasonable statement which I recognize. In response, in Order No. 2018-81, we asked for results of a full and thorough evaluation by March 30, with the possibility of reasonable extensions of time. Given the initial 30 days from our first request, the additional 60 days from our second request would provide approximately 90 days to complete the assessment.

Upon further reflection, and with consideration of the specific requests that I shall address, it seems likely that additional time may be needed to produce the analysis we seek. In light of the passage of time and my clarification of the ORS proposed scope, I propose we reconsider the March 30th deadline and ask that ORS consult appropriate independent accounting firms with experience in energy-related utility auditing and report back to us a reasonable timeline for delivery of the assessment. I further request that ORS report back to us as soon as possible but no later than March 2nd as to their progress on determining the timeline.

It is in the interests of all parties for the assessment we request to be accomplished in an expedient manner.

I have reviewed the draft proposed Scope of Services filed by the ORS on February 7, 2018. The Fact and Assumptions (items enumerated 1 – 4) are reasonable. Similarly, the descriptions and illustrations required under each scenario (items enumerated 1 – 11), and the deliverable presentation format appear to be reasonable.

As I've already noted, there are two scenarios outlined in the ORS proposal. The ORS scenarios proposed to be analyzed consider that it is unknown if CWIP will be recovered, or the amount of recovery. They further assume that the revised rates – or a portion thereof – being suspended may resume later. They also consider whether or not there is a credit to the ratepayers for the \$2 Billion previously collected under revised rates over 4 years. My consultation with Commission Staff has resulted in a charted list of scenarios that would give a more developed picture of the reasonably possible outcomes.

I would request that a copy of this chart be attached to my motion if passed.

I move that we request that each of the scenarios on the chart be analyzed for potential financial implications to SCE&G. These proposed scenarios address whether all, none or some CWIP is recovered. Further, each scenario should assume suspension of the revised rates, both with and without resumption of the collection of revised rates at a later date, and with and without a credit to the ratepayers for the \$2 Billion already recovered in revised rates. The credit should be allocated over 4 years as proposed by ORS.

It is likely that these recommended scenarios will increase the resources that must be allocated to conduct the proposed analysis. I believe that the statutes provide ORS discretion to pursue several options for funding. I think this process will generate critical data to aid in the considerations that must be made regarding an extraordinarily complex matter. The magnitude of what is at stake dictates that the clearest picture must be established before decisions are made. The citizens, the state, and even the Company, cannot afford to do anything less.

Finally, we are aware that both the South Carolina House and Senate are considering bills that could have significant impacts upon the subject matter we are now considering. I would request that, upon completion of the ORS assessment, a copy of its report be delivered to both the House and Senate for their consideration.

Addendum to Motion

Narrative Quantification of Analyses Requested (Summarized in Attached Chart)

In the first set of scenarios we would request, the impacts of suspending the revised rates, both with and without resumption at a later date should be analyzed as if there is no recovery of CWIP allowed. This should be considered as if there is a credit over 4 years to the ratepayers of \$2B previously collected under revised rates and, alternatively, without crediting the money previously collected under revised rates.

In the second set of scenarios we would request, the impacts of suspending the revised rates, both with and without resumption at a later date should be analyzed as if it is unknown if CWIP will be recovered. This should be considered as if there is a credit over 4 years to the ratepayers of \$2B previously collected under revised rates and, alternatively, without crediting the money previously collected under revised rates.

In the third set of scenarios we would request, the impacts of suspending the revised rates, both with and without resumption at a later date should be analyzed as if there will be full recovery of CWIP. This should be considered as if there is a credit over 4 years to the ratepayers of \$2B previously collected under revised rates and, alternatively, without crediting the money previously collected under revised rates.

In the fourth set of scenarios we would request, the impacts of suspending the revised rates, both with and without resumption at a later date should be analyzed as if there will be a partial recovery of CWIP. The portion of CWIP that is allowed to be recovered should be considered at each date that a new revised rate became effective. This should be considered as if there is a credit over 4 years to the ratepayers of \$2B previously collected under revised rates and, alternatively, without crediting the money previously collected under revised rates.

	Revised Rates Revenue Collection Impact	CWIP Recovery	Credit to Ratepayers Of \$2b previously Collected in Revised Rates Revenue
1.	Suspend* Annual Collection	Unknown if CWIP will be recovered or amount	No
2.	Suspend* Annual Collection	Unknown if CWIP will be recovered or amount	Yes – Credit over 4 yrs
3.	Suspend* Annual Collection	Assuming no recovery of CWIP	No
4.	Suspend* Annual Collection	Assuming no recovery of CWIP	Yes – Credit over 4 yrs
5.	Suspend* Annual Collection	Assuming Partial Recovery of CWIP – Disallow CWIP back to each Revised Rates Date	No
6.	Suspend* Annual Collection	Assuming Partial Recovery of CWIP – Disallow CWIP back to each Revised Rates Date	Yes – Credit over 4 yrs
7.	Suspend* Annual Collection	Assuming full recovery of CWIP	No
8.	Suspend* Annual Collection	Assuming full recovery of CWIP	Yes – Credit over 4 yrs

*Provide with and without resumption of revised rates at a later date.

PRESIDING: Whitfield

SESSION: Special

TIME: 1:00 p.m.

	MOTION	YES	NO	OTHER
BOCKMAN	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
ELAM	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
FLEMING	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HAMILTON	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
HOWARD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
RANDALL	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	
WHITFIELD	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	

(SEAL)

RECORDED BY: D. Easterling

